

1997 Other State Tax Credit

S

Attach to Form 540, 540NR or 541.

Name(s) as shown on return

Your social security number

FEIN

PART I Computation of Double-Taxed Income (Read Specific Line Instructions for Part I before completing this part.)

(a) Income item(s) description	(b) Double-taxed income taxable by California \$	(c) Double-taxed income taxable by other state \$
1 Total double-taxed income	\$	\$

PART II Computation of Other State Tax Credit (Read Specific Line Instructions for Part II before completing this part.)

2 California tax liability. See instructions	2 _____
3 Double-taxed income taxable by California. Enter the amount from Part I, line 1, column (b)	3 _____
4 California adjusted gross income (plus lump-sum distributions from Schedule G-1). See instructions	4 _____
5 Divide line 3 by line 4 (100% maximum)	5 _____ %
6 Multiply line 2 by the percentage on line 5	6 _____
7 Income tax paid to (name of other state) _____ for the same year the income is taxed by California. See instructions	7 _____
8 Double-taxed income taxable by other state. Enter the amount from Part I, line 1, column (c)	8 _____
9 Adjusted gross income taxable by other state. See instructions	9 _____
10 Divide line 8 by line 9 (100% maximum)	10 _____ %
11 Multiply line 7 by the percentage on line 10	11 _____
12 Other state tax credit. Enter the lesser of line 6 or line 11. See instructions	12 _____

General Information

You must attach this schedule and a copy of your return(s) filed with the other state(s) to your California return. Partners of partnerships, members of limited liability companies or shareholders of S corporations, see General Information G.

A Purpose

Use this form if you are an individual filing a California personal income tax return or an estate or trust filing a California fiduciary income tax return to claim a credit against California tax for net income taxes imposed by and paid to another state or U.S. possession.

Residents of California may claim a credit only if the income taxed by the other state has a source within the other state under California law. No credit is allowed if the other state allows California residents a credit for net income taxes paid to California.

Nonresidents of California may claim a credit only for net income taxes imposed by and paid to their states of residence and only if such states do not allow their residents a credit for net income taxes paid to California.

See General Information C and D for a complete list of states for which credits are allowed. See General Information H for a description of the source of various types of income.

Beneficiaries of an estate or trust, partners of a partnership, members of a limited liability company or shareholders of an S corporation that paid a net income tax to another state on income that must be reported to California may also claim the other state tax credit. See General Information F and G for details.

B Application of the Credit

The credit may be applied only against the California tax computed on the same income that is taxed by the other state.

When a joint return is filed in California, the entire amount of tax paid to the other state may be used in computing the credit, regardless of which spouse paid the other state tax or whether a joint or separate return is filed in the other state.

When a joint return is filed in the other state and separate California returns are filed, the credit is allowed in proportion to the income reported on each California return.

If, after paying tax to the other state, you obtain a refund or credit due to an amended return, computation error, audit, etc., you must report the refund or credit immediately to the Franchise Tax Board (FTB). Prepare a revised Schedule S and attach it to:

- Form 540X, Amended Individual Income Tax Return, if you filed Form 540 or Form 540NR; or
- Form 541, California Fiduciary Income Tax Return, if you filed Form 541 (write "Amended Return" at the top).

C California Residents

California resident individuals or estates and trusts that derived income from sources within any of the following states or U.S. possessions and paid a net income tax to that state or U.S. possession on income that is also taxed by California may claim the other state tax credit:

Alabama, American Samoa, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire (business profits tax), New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Utah, Vermont, Virginia (dual residents), Virgin Islands, West Virginia, Wisconsin and the District of Columbia (unincorporated business tax and income tax, the latter for dual residents only).

California residents who are included in a non-resident composite partnership or S corporation return filed with the states listed above as well as Indiana, Virginia, Oregon or Arizona may also claim a credit for their share of income taxes paid to these states.

D California Nonresidents

California nonresident individuals, estates or trusts that are residents of one of the following states or U.S. possessions and who paid a net income tax to that state or U.S. possession on income also taxed by California, may claim the other state tax credit:

Arizona, Guam, Indiana, Oregon, and Virginia.

Note: California nonresidents who are residents of any state or U.S. possession not listed may not claim this credit.

E California Part-Year Residents

For the part of the year you were a resident of California, follow the instructions for residents. For the part of the year you were a resident of another state or states, follow the instructions for nonresidents.

F Dual-Resident Estates and Trusts

An estate or trust may claim a credit if it is treated as a "resident" of California and also of another state. For this purpose, an estate or trust is considered to be a "resident" of any state that taxes its income regardless of whether the income is derived from sources within that state. The credit is limited to:

1. The proportion of the tax paid to the other state by the estate or trust that the double taxed income bears to the entire income of the estate or trust; and
2. The proportion of the estate's or trust's California tax that the double-taxed income bears to the total income taxed by California.

Beneficiary of an Estate or Trust

A beneficiary of an estate or trust who is a California resident and pays California tax on income that has been taxed to the estate or trust in another state may also claim the credit. The credit is limited to:

1. The proportion of the tax paid to the other state by the estate or trust that the income taxed to the beneficiary in California and also to the estate or trust in the other state bears to the entire income of the estate or trust; and
2. The proportion of the beneficiary's California tax that the income taxed to the beneficiary in California and also to the estate or trust in the other state bears to the beneficiary's total income taxed by California.

G Pass-Through Entities

A partner is allowed a credit for the partner's pro rata share of net income taxes paid by the partnership to another state. A shareholder of an S corporation is allowed a credit for the shareholder's pro rata share of taxes on or measured by income paid by the S corporation to another state that either does not allow S corporation elections or imposes tax on S corporations. A member of a limited liability company is allowed a credit for the member's pro rata share of net income taxes paid by the company to another state.

Include the amount of your pro rata share of tax paid to the other state for which you are allowed to claim a credit. Residents of California, see General Information C; nonresidents of California, see General Information D.

Attach a copy of Schedule K-1 (100S, 565 or 568) and a schedule reflecting your pro rata share of the net income tax paid to the other state.

H Income From Sources Within the Other State

Residents of California may claim a credit for net income taxes imposed by and paid to another state only on income which has a source within the other state.

For this purpose, California's sourcing principles apply even though the results may be contrary to the other states' principles.

The following is a description of the source of various types of income:

- Compensation for services rendered by employees or independent contractors has a source where the services are performed.
- Income from tangible personal property and real estate has a source where the property is located.
- Income from intangible personal property generally has a source where the owner resides.
- Business income has a source where the business is conducted.

Get FTB Pub. 1031, Guidelines for Determining Resident Status, for additional information concerning source income.

Note: Those persons subject to tax as California residents solely by reason of the California Revenue and Taxation Section 17014(b) (holders of federal elective offices, certain Presidential appointees and Congressional staff members) may base their credit computation on income taxed by the other state, regardless of its source.

Specific Line Instructions

More than one state – If you have a credit from more than one state, figure the credit separately for each state. Add the credits from each state and enter the total on Schedule S, line 12. You **must** attach to your return a supplemental schedule indicating the name and individual computations for each state.

Part I

Double-taxed income is income taxed by California and the other state. In Part I, provide a breakdown of your double taxed income by income item and amount. In column (a), identify the income item such as wages earned in another state while a California resident, gain on sale of real estate, ABC Partnership ordinary income, etc. In column (b), enter the amount of income from that item taxed by California. In column (c), enter the amount of income from that item taxed by the other state.

For residents of California, the income must also have a source in the other state. See General Information H, for a description of the source of various types of income.

Nonresidents of California should enter in column (b) only the amount of double-taxed income that is included in Schedule CA (540NR), California Adjustments — Nonresidents or Part-Year Residents, line 32, column E. In column (c), enter only the amount of double-taxed income that is included in adjusted gross income taxed by your state of residence.

Note: Generally, income that is taxed by California and the other state will be the same amounts. However, the income amounts in column (b) may be different than the amounts in

column (c) because of differences in California and the other state's tax laws.

Line 1 – Combine the amounts in column (b). Combine the amounts in column (c). Enter the totals on this line and on Part II, line 3, and Part II, line 8.

Part II

Line 2 – Enter your California tax liability from:

- Residents – Form 540, line 25 minus line 33. However, do not subtract the other state tax credit.
- Nonresidents – Form 540NR, line 28 minus line 42. However, do not subtract the other state tax credit.
- Estates and Trusts – Form 541, line 25. However, do not include the other state tax credit.

Line 4 – Enter your California adjusted gross income from:

- Residents – Form 540, line 17, and any lump-sum distribution from Schedule G-1.
- Nonresidents – Schedule CA (540NR), line 32, column E, and any California source lump-sum distribution from Schedule G-1.
- Estates and Trusts – Enter your adjusted gross income determined for purposes of the 2% limitation of your miscellaneous itemized deductions. See Form 541, line 15b instructions.

Line 7 – Do not include:

- Taxes paid to any local government such as a city or county;
- Taxes paid to the federal government;
- Taxes paid to any foreign country; or
- Any tax comparable to California's alternative minimum tax paid to another state.

Line 9 – Adjusted gross income taxed by the other state:

- Residents: Enter only those items of total adjusted gross income taxed by the other state.
- Nonresidents: Enter total adjusted gross income taxed by the other state.
- Estates and Trusts: Enter only those items of total adjusted gross income taxed by the other state.

Note: Adjusted gross income includes all items of income and loss but does not include itemized deductions, deductions for federal income taxes or personal exemptions.

Line 12 – The amount of this credit you may claim on your tax return may be limited further. Refer to the credit instructions in your California tax booklet to see if there are any limitations on the amount of credit you may claim. These instructions also explain how to claim this credit on your tax return. You must use credit code number **187** to claim this credit.